United Nations

A/70/772

General Assembly

Distr.: General
4 March 2016

Original: English

Seventieth session
Agenda item 146
Financing of the International Residual Mechanism for Criminal Tribunals

Construction of a new facility for the International Residual Mechanism for Criminal Tribunals, Arusha branch

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the construction of a new facility for the International Residual Mechanism for Criminal Tribunals, Arusha branch (A/70/698). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 23 February 2016.

2. The report of the Secretary-General was submitted pursuant to General Assembly resolution 69/276, in paragraph 13 of which the Assembly requested the Secretary-General to submit to the Assembly, at the first part of its resumed seventieth session, a progress report on the implementation of the project, outlining, inter alia, the project expenditures and total costs.

II. Progress update and project schedule

3. The report of the Secretary-General on the construction of a new facility for the Mechanism, Arusha branch (A/70/698) is the fifth progress report on the project. Information with respect to the background of the project and the related resolutions of the General Assembly on the project is contained in paragraphs 1 to 3 of the report of the Secretary-General.

Cooperation with the host country

4. The Secretary-General reports that the progress made in the project was facilitated by the continued close cooperation with and support provided by the

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United Republic of Tanzania, in accordance with the Supplementary Agreement to the Agreement between the United Nations and the United Republic of Tanzania concerning the Headquarters of the International Residual Mechanism for Criminal Tribunals, for the Premises of the Mechanism, of 5 February 2014 (ibid., para. 23).

5. During the reporting period, the host country completed the construction of a temporary access road to the site and installed power and water lines, at no cost to the United Nations. The Secretary-General looks forward to the completion of the ongoing works for the permanent access road and the connection to electricity, water and the Internet to be provided by the Government. Furthermore, the Secretary-General states that the exemption of the contractor and consultants from value added tax and import duties has proceeded smoothly (ibid., para. 24 and 26). Upon request, the Advisory Committee was provided with the table below showing the works undertaken by the host country and the status of progress.

Works by the host Government	*Status*
Temporary access road	Completed
Permanent access road	Ongoing (at final stage)
Water supply and connection	Completed
Power supply and connection	Ongoing (at final stage)
Internet services and connection	Ongoing

6. **The Advisory Committee reiterates its appreciation to the Government of the United Republic of Tanzania for its provision of land, access roads and the connection of water, electricity and Internet services to the new facility at no cost to the United Nations. The Committee trusts that the continued cooperation between the United Nations and the Government will be maintained through all phases of the project (A/69/788, para. 5).**

Project schedule

7. The Advisory Committee recalls that as requested by the General Assembly in its resolution 66/240 B, the project duration had been shortened from the initially estimated five years and three months to four years, and that occupancy of the facility was projected for the fourth quarter of 2015 (A/67/768, para. 15). However, owing to delays experienced, the date for the completion of the construction and occupancy was subsequently postponed from late in 2015 to early in 2016 as reflected in the previous progress report of the Secretary-General (see A/69/734, annex II, also A/69/788, para. 17).

8. In his current report, the Secretary-General indicates that construction works started on 27 February 2015, with the contractual requirement that they be concluded within 12 months by 28 February 2016. However, the project has since experienced further delays owing mainly to: (a) an error in the architectural drawings (topographical level disparity between the actual grounds and the architectural drawings), which led to a suspension of the excavation and earthworks for the archives and court buildings from 20 March to 27 April 2015 and consequently to a 38-day delay; and (b) site management turnover (specifically the

change of the site manager twice in a four-month period), resulting in some quality control issues and consequent slower-than-expected progress of the project (A/70/698, paras. 45-48).

9. According to the Secretary-General, mitigation measures have been undertaken by the contractor, including the recruitment of additional manpower, the extension of working hours on site, the assignment of the contractor's most senior project manager full time to the project and the exercise of value engineering. Consequently, according to the Secretary-General, the quality control issues have since been rectified and the construction works have progressed steadily, although the time lost has not been recovered (A/70/698, paras. 46-49).

10. The Secretary-General indicates that value engineering was undertaken in an effort to seek efficiencies pursuant to General Assembly resolution 69/276 and as one of the mitigation measures (ibid., paras. 38 and 49 (d)). It is indicated that an alternative heating, ventilation and air-conditioning system results in a 33 per cent shorter procurement lead time compared with the original manufacturer, while also offering additional advantages and efficiencies to the project (ibid.). The Advisory Committee was informed upon enquiry that the new system is more energy efficient, with a Class "A" energy efficiency rating over the "D" Class energy efficiency rating of the original system planned, and that the new system includes better aftersale support service. **The Advisory Committee notes the expected benefits to be derived from the new heating, ventilation and air-conditioning system as a result of the value engineering exercise. The Committee is of the view that best options should have been selected at the earliest possible stages of the project and that lessons learned in this exercise should be applied to future construction projects of the Organization.**

11. The Secretary-General indicates that consequent to the recent delays experienced, a revised programme of work was developed by the contractor with the target of completing the superstructure of the three main buildings by mid-February 2016. The project team, in close coordination with the Office of Central Support Services, identified further mitigation measures, such as the consideration of planning for sectional completion pursuant to the construction contract, which would allow the United Nations to occupy and use part of the facilities while the remaining construction works are ongoing for other parts of the premises (ibid., paras. 49 (a) and 51). A revised project schedule is presented in annex II to the report of the Secretary-General. **The Advisory Committee trusts that the Secretary-General will provide to the General Assembly information on the latest progress in the construction at the time of its consideration of the fifth progress report of the Secretary-General (A/70/698).**

12. Furthermore, the Secretary-General indicates in paragraph 50 of his report that the contractual completion date currently remains 6 April 2016 (see paras. 17 and 18 below on contract amendments); however, he also indicates that the observations on the ground would suggest the anticipated completion of works by May 2016 (ibid.). He further states that the project is still subject to risks that could also affect the schedule, including: an inclement early rainy season; possible delays in the shipment and delivery of long lead time material; any problems with the execution of the contractual drawings requiring remedial works; and any problems in communication between the contractor and the consultants. Upon enquiry, the

Advisory Committee was informed that the Secretariat remained cautiously optimistic that construction would reach substantial completion in May 2016.

13. **The Advisory Committee notes that the further delays experienced in the construction works so far were due to two factors: the 38-day delay due to the topographical error by the architectural consultants and the further delay beyond the 38-days due to the quality control issues by the construction contractor. The Committee is concerned that the project has experienced further delays and that its completion remains subject to further risks and potential delays. The Committee recalls that the General Assembly requested the Secretary-General to continue to take all measures necessary to mitigate potential risks and to ensure that the construction project is monitored closely and is completed within the approved timeline and resources (General Assembly resolution 69/276, para. 8). The Committee reiterates that accountability is key to the successful management of any organization (A/70/755, para. 28).**

III. Project expenditures, contract amendments and contingency provision

14. The total resources approved by the General Assembly for the project amounts to $8,787,733, comprising the estimated project cost of $7,737,362 and the contingency provision of $1,050,371. Total project expenditure until the completion of the project is currently projected at $8,053,058, representing the full utilization of the base project budget of $7,737,362, as well as $315,696 against the contingency provision. Information on the actual expenditures from 2013 to 2015, projected requirements for 2016 and the amounts charged against the contingency provision is provided in two tables in the report of the Secretary-General (A/70/698, paras. 53, 54 and tables).

15. In paragraph 10 of its resolution 69/276, the General Assembly noted with concern the higher-than-budgeted amount awarded for the architectural and engineering consultancy services as well as the construction contracts, and in this regard requested the Secretary-General to make every effort to seek efficiencies throughout the implementation of the project and to report thereon in the context of future progress reports. The Secretary-General reports that pursuant to the request made by the Assembly, cost overruns were first offset from project savings before being charged to the contingency provision. The Advisory Committee notes from the report of the Secretary-General that while the total overexpenditures amount to $427,623, an underexpenditure of $111,927 is projected under project supervision and management (related to the provision for the recruitment of a project manager). The underexpenditure of $111,927 would cover the cost overruns under travel (the full amount of $27,563) and under architect fees ($84,364 of $148,636). The remaining cost overruns of $315,696 are charged against the project contingency provision ($64,272 under architect fees and $251,424 under construction contract) (A/70/698, paras. 55, 56 and tables). Upon enquiry, the Advisory Committee was informed that the amount of $315,696 currently charged to the contingency provision was exclusive of the provisional additional services that might be included in the ongoing negotiation of an amendment to the architectural contract (see para. 19 below).

Architectural and construction contracts

16. The Advisory Committee recalls that the architectural services contract was concluded on 26 February 2014 and that the Committee discussed the issues related to the higher-than-budgeted contract in its previous report (A/69/788, paras. 7, 8, 27 and 29). The Secretary-General states that during the construction phase, the architectural consultants provide construction administration and site supervision services (A/70/698, para. 14). The Advisory Committee notes that the construction contract was concluded on 19 February 2015 (ibid., para. 9; see paras. 29-31, and annex below). Considering that the project has experienced further delays due to issues attributable to both the architectural consultants and the construction contractor (see para. 8 above), the Advisory Committee sought information and clarifications with respect to the impact and causal effects of the two delays on both contracts, including the potential costs of the contract amendments, as well as the direct and indirect costs of the delays.

17. The Secretary-General reports that the error in the architectural drawings, which caused 38-day delay, resulted in a no-cost amendment to the contract (A/70/698, para. 17). Upon clarification, the Advisory Committee was informed that the delay of 38 days caused by the architectural consultants had resulted in an extension of the construction contract from 28 February to 6 April 2016. Concerning the impact of the further delay beyond the 38 days caused by the construction contractor, the Advisory Committee notes that the Secretary-General does not provide information on whether the Organization intends to have negotiations with the construction contractor on a potential extension of the construction contract beyond 6 April 2016 and how additional costs, if any, would be covered (see paras. 21 and 22 below). **The Advisory Committee trusts that the Secretary-General will provide clarifications related to the potential extension of the construction contract to the Assembly in the context of its consideration of the fifth progress report of the Secretary-General (A/70/698).**

18. As for an amendment to the architectural services contract, the Secretary-General indicates that at the time of the writing of his report, the project team was in negotiation with the architectural consultant for a contract amendment for any provisional additional services that might be required as a result of the longer-than-scheduled duration of construction. The project team fully expects that any such amendment can be executed well within available budgetary resources while leaving adequate remaining contingency to cover any additional risk (A/70/698, para. 58). Upon clarification, it was confirmed to the Advisory Committee that the architects were responsible for the topographical error. The contract with the architects contains provisions that enable the Organization to oblige the architects to remedy errors in its performance of its services under the contract. The Committee was informed that the extension of the architectural services contract until 6 April was being negotiated to be at no cost to the United Nations. It was indicated to the Committee that the architects should agree to extend, at no additional charge, the duration of its services for the same number of days that the project was delayed as a result of their error. **The Advisory Committee notes that while the error made by the architects caused suspension of the project during March and April 2015, the Secretariat has negotiated an amendment to the construction contract and that an amendment to the architectural contract is still under negotiation. The Advisory Committee trusts that the Secretary-General will provide to the General Assembly the most up-to-date information on the ongoing negotiation**

of an amendment to the architectural services contract at the time of its consideration of the fifth progress report of the Secretary-General (A/70/698).

19. The Advisory Committee was informed upon enquiry that the provisional additional services indicated in paragraph 18 above may be required either to expedite completion of the project through additional site inspections or to further retain the architects' services in the event that there would be delays in the contractual completion. As the additional services were provisional in nature, the Mechanism was only planning for the possibility of requiring them and might not utilize them. The Committee was also informed that if these additional services did become necessary, the Mechanism would use existing resources from other budget lines before resorting to contingency fund. **In this connection, the Advisory Committee notes that the full utilization of the base project budget is currently forecasted already** (see para. 14 above and para. 22 below).

20. Concerning direct and indirect costs arising from the 38-day delay in the construction works due to the topographical error by the architectural consultants, the Advisory Committee was informed upon enquiry that:

(a) The direct costs attributable to the error were approximately (i) $30,000 for additional required civil works which was entirely offset by value engineering; and (ii) $11,000 for the extension of the architects services to the contractual completion date, which is being negotiated at no extra charge to the Organization. The Advisory Committee notes that the Secretariat did not specify whether the completion date refers to the current construction completion date of 6 April 2016 or beyond (see also para. 22 below);

(b) The indirect costs of approximately $38,000 for the extended stay at the current premises can be absorbed within the budget, which included a provision for rent for swing space. The Mechanism, and the ICTR Liquidation Team which is co-located with the Mechanism, will continue to operate from the currently leased premises in the Arusha International Conference Centre with no negative impact on the operations and mandate of both institutions.

21. **The Advisory Committee recommends that the General Assembly request the Secretary-General to make every effort to claim and enforce full compensation from the architects for all direct and indirect costs resulting from the topographical error. The Committee is furthermore of the view that as a matter of principle, compensation should be sought from contractors for costs resulting from errors or contractual non-compliance on their part rather than absorbing such costs within the project budget, drawing on the contingency or offsetting them through value engineering.**

22. The Advisory Committee was informed upon enquiry that according to the Secretariat, thus far, the challenges associated with the construction contractor had not entailed any direct or indirect costs to the United Nations. However, any delay that such challenges may cause to the contractual completion date of 6 April 2016 may be imputable to the contractor under the delay damages clause included in the construction contract. The Advisory Committee enquired as to why the construction contractor would not compensate for the loss in time and pay for the related additional services required of the architectural contractor given that the further delay was caused by the former. The Committee was informed that the construction contract provides that the contractor shall reimburse the United Nations for any

additional fees payable by the Organization to the consultants it has engaged arising out of or connected to the contractor's failure to complete the works within the time for completion. **In the light of this clarification, the Advisory Committee is of the view that any additional fees payable by the Organization to the architectural consultants arising from the failure of the construction contractor to complete the works within the timeline should be reimbursed by the construction contractor in accordance with the contract provisions. In addition, the Committee questions the assumption by the Secretariat that the further delay by the construction contractor has no indirect costs to the Organization, since the delay may prolong the stay of the Mechanism in the current premises with additional rental costs (see para. 20 (b) above).**

23. **The Advisory Committee is of the view that the Secretary-General has not provided clear, transparent and consistent information related to the direct and indirect costs arising from the errors made by the contractors, the obligations of the contractors for remedy and compensation, and the actions required of the Organization to pursue mitigation measures with the contractors, in particular in negotiations to amend the contracts involved. The Committee recommends that the General Assembly request the Secretary-General to provide information on non-compliance by contractors of current and future capital projects in his respective progress reports. The Committee is of the view that such information should include related additional resource requirements and compensations matters in a consistent and transparent manner.**

Project contingency provisions

24. The Advisory Committee recalls that in the context of the construction of a new facility for the Mechanism, the General Assembly has emphasized that contingency provisions approved for construction projects serve to provide necessary safeguards against unforeseen cost overruns during project implementation, and in this regard requests the Secretary-General to ensure that, in the future, any cost overruns are first met from compensatory reductions identified elsewhere through efficiencies in order to obviate to the extent possible the need for drawdown from contingency provisions (General Assembly resolution 69/276, paras. 8 and 9).

25. The Advisory Committee requested clarification concerning the Secretariat's interpretation that contingency provisions are part of the approved project budget and are separated from the base project cost for presentation purposes only. The Committee was informed, inter alia, that in the context of the recent reports of the Secretary-General on the renovation of the Africa Hall in Addis Ababa and on the Strategic Heritage Plan in Geneva, the General Assembly adopted resolution 70/248, which contained several paragraphs related to the treatment of contingency funds within an overall project budget. The Assembly emphasized (resolution 70/248, sect. IX, para. 19) that contingency provisions approved for construction projects serve to provide necessary safeguards against unforeseen cost overruns during project implementation; underlined that the estimation of project contingencies should be based on the identification of risks associated with the different phases of the project; and requested that the estimated contingencies be separated from the base project cost for presentation purposes only (ibid., sect. X, para. 17). Therefore, the Secretariat understands that the term "budget" or "approved budget" of these two projects includes all estimated project costs, inclusive of both the base estimate

and the contingency provisions. Furthermore, the Secretariat considers that the same interpretation of what construes the "budget" shall be applied to other ongoing capital projects currently being implemented or planned by the Organization, including the Mechanism's new facility at Arusha.

26. **The Advisory Committee is of the view that the requirement of the General Assembly resolution, that the estimated contingencies be separated from the base project cost for presentation purposes only, is consistent with the request of the Assembly that in the future, any cost overruns are first met from compensatory reductions identified elsewhere through efficiencies in order to obviate to the extent possible the need for drawdown from contingency provisions (General Assembly resolution 69/276, paras. 8 and 9). Moreover, the Committee points out that the Assembly has also decided that all remaining unused contingency funds shall be returned to Member States at the conclusion of the project (resolution 70/248, sect. IX, para. 20, and sect. X, para. 18).** The Committee intends to provide further observations related to project contingency provisions in its forthcoming report on the strategic capital review (A/70/7/Add.43).

Travel costs

27. Concerning travel expenditures, the Advisory Committee notes that compared with the approved budget of $99,086, the expenditures amount to $126,649, representing an overexpenditure of $27,563, or 12.8 per cent. The Committee was informed upon enquiry that no further trips were planned until the completion of the project. The Advisory Committee sought explanation for the higher-than-budgeted expenditures on travel and requested a breakdown of the planned and additional trips taken. The Committee was informed of the following:

(a) The planned travel included primarily trips by the Office of Central Support Services team in New York and the project team for detailed design meetings, detailed surveys of the approved site, procurement-related activities, such as bidders' conferences, technical evaluation committee meetings, and oversight activities. Most of the planned travel was undertaken during the pre-construction phase. Provision and solicitation of technical advice between the Office of Central Support Services and the Mechanism were conducted by means of regular teleconferences, phone calls and correspondence;

(b) According to the Secretary-General, some unforeseen trips became necessary, relating to (i) travel to meet with the architects in Oxford, United Kingdom, in order to ensure the conformity of the detailed design with the approved budget for the project; and (ii) the official mission of the Assistant Secretary-General for Legal Affairs to Dar es Salaam to conclude the negotiations and proceed to the signing of the Supplementary Agreement to the Agreement between the United Republic of Tanzania and the United Nations concerning the Headquarters of the International Residual Mechanism for the Premises of the Mechanism. It was determined that this was the most expeditious way to conclude the agreement.

28. Upon enquiry, the Committee was informed that the mission to Oxford was unforeseen, but necessary in the light of the receipt of the preliminary design and cost estimates, which were significantly in excess of the budget allocation. Upon clarification, the Committee was informed that the contract requires that the architects submit proposals within the budget allocation. However, consultations prior to the trip had not led to the expected results and it was therefore considered

that meeting with the architects was in the best interest of the Organization. The Committee was further informed that this travel was not included in the architectural services contract. **Considering that the contract requires that the architects submit proposals within the budget allocation and that the preliminary design and cost estimates by the architects were significantly higher than the budget, the Advisory Committee is of the view that as a matter of principle, costs such as those for the additional travel should not be borne by the Organization.**

IV. Other matters

OIOS audit

29. The Advisory Committee recalls that to ensure effective oversight of the implementation of the construction of the facility pursuant to the General Assembly resolution 67/244 B, the Office of Internal Oversight Services (OIOS) conducts a three-stage audit process which covers pre-construction, construction and post-occupancy phases, and that the procurement exercise for the architectural consultant and construction services are covered by the audit of the pre-construction and the construction phases, respectively (A/69/788, paras. 8 and 19).

30. The Secretary-General reports that the first audit of the project, which focused on planning and governance in the pre-construction phase, concluded on 28 February 2015 and the results were reported by OIOS through its annual report (A/70/318 (Part I) and (Part I/Corr.1). According to that report, which contained satisfactory comments, including on the procurement of architectural consultancy services, OIOS found no critical or pervasive deficiencies. All of the four important recommendations raised have been closed (A/70/698, para. 33). Upon enquiry, the Committee was informed that the four recommendations, classified as important, were related to the provision of fraud awareness training, finalization of the project management plan, procedure for processing change orders and identification of associated costs.

31. With respect to the award of the construction contract at a higher-than-budgeted price (roughly 4 per cent above budget), it is indicated that it was attributed mainly to the costs of imported electromechanical materials and equipment, which were more costly than expected owing to unforeseen market conditions (A/70/698, para. 11). Detailed information related to the considerations for the award of the construction contract is provided in paragraph 57 (a) to (e) of the report of the Secretary-General. Upon enquiry, the Advisory Committee was provided with information on the procurement of the construction contract (see the annex to the present report). **The Advisory Committee looks forward to the OIOS audit on the construction phase of the project, including the procurement of the construction contract, in the context of the next progress report of the Secretary-General on the project.**

Utilization of furniture and equipment

32. The General Assembly recalled paragraphs 31 and 32 of the report of the Advisory Committee (A/69/788) and in this regard encouraged the Secretary-General to continue to explore the possibilities for utilizing usable furniture and equipment from the International Criminal Tribunal for Rwanda and the

International Tribunal for the Former Yugoslavia, where possible and economical, and to report thereon in the context of future progress reports (General Assembly resolution 69/276, para. 11)

33. The Secretary-General indicates that during the reporting period, the Mechanism strengthened its coordination and intensified its efforts to identify existing assets of the Tribunal for Rwanda that could be reused in its new facility, particularly in the light of the closure of the Tribunal for Rwanda on 31 December 2015. Thus far, the Mechanism has transferred more than 400 non-expendable assets from the Tribunal for Rwanda, amounting to over $3 million based on acquisition value, including office furniture, as well as office, security and information technology equipment (approximately 60 per cent of the required furniture) (A/70/698, paras. 64 and 65).

34. The Secretary-General indicates that the continued efforts by the Mechanism regarding the reuse of existing assets from the two Tribunals have resulted in savings and efficiencies (ibid, para. 63). As to how much savings could be achieved within the budget, the Advisory Committee was informed upon enquiry that savings realized by reusing Tribunal for Rwanda assets were primarily reflected in the Mechanism's assessed budget, and may be better described as "cost avoidance", rather than "savings", which may imply a reduction against already approved budgets. The Mechanism estimated that it would be able to take approximately $2 million worth of assets transferred from the Tribunal for Rwanda to the new facility, which it would otherwise have been necessary to purchase. Upon further clarification for the difference in the $3 million reported in of the report of the Secretary-General (ibid., para. 65) and the $2 million indicated to the Advisory Committee, it was explained to the Committee that the amount of $3 million reflected the amount of assets that the Mechanism had received from the Tribunal for Rwanda since the commencement of its Arusha branch. Of this amount, the $2 million reflected the value of assets that would specifically be used at the new facility. The Mechanism's budget for the biennium 2016-2017 took into account the transfer and reuse of assets from the Tribunal for Rwanda, amounting to $2 million. The Advisory Committee notes that the Secretariat did not provide an explanation for the discrepancy in the asset value of $1 million transferred from the Tribunal for Rwanda. **The Advisory Committee considers that the information provided by the Secretary-General, in particular the value of the assets transferred to the Mechanism and the related savings, lacks clarity and consistency. The Committee recommends that the General Assembly request the Secretary-General to provide explanations and clarifications in his next progress report on the project.**

Accessibility

35. The Advisory Committee recalls that according to the Secretary-General, the architectural design of the new facility has taken into full consideration the Convention on the Rights of Persons with Disabilities with respect to the provision of accessible building features (A/69/788, para. 7 (a)). Upon enquiry, the Committee was informed that the design observes prevailing local practices and codes with respect to accessibility. This is contained in the Tanzanian 2010 Persons with Disabilities Act, mandating that buildings that provide services to the public are accessible, to the extent possible, to persons with disabilities. The Advisory Committee notes that the project design observes prevailing local practices and

codes with respect to accessibility for persons with disabilities. The Committee will provide further comments in this regard in its forthcoming report on the strategic capital review (A/70/7/Add.43).

Local knowledge

36. The Advisory Committee recalls that the General Assembly, in its resolution 69/276, encouraged the Secretary-General to continue his efforts to include local knowledge and capacity in the implementation of the project. The Secretary-General provides the related information in paragraphs 40 and 41 of his report (A/70/698). **The Advisory Committee trusts that the Secretary-General will continue his efforts to include local knowledge and capacity in the implementation of the project (A/69/788, para. 9).**

Planning of the post-construction phase

37. According to the Secretary-General, immediately after the construction phase began, the Mechanism started planning the post-construction phase through the creation of a dedicated working group tasked with identifying and coordinating the implementation of all actions required to ensure the timely and efficient occupation of the new facility. The working group has also received technical guidance and support from the Office of Central Support Services. Since its inception, the working group has identified end users and their requirements and concluded the early stages of planning for the move of staff, archives and assets. Moreover, in implementing the lesson learned in other capital projects that consideration should be given to early engagement with the facilities management services and the development of maintenance requirements, the position of Facilities Management Assistant, funded through the Mechanism's budget for the biennium 2016-2017, is currently being recruited to ensure the smooth transition and continuity of knowledge in the subsequent operation and maintenance of the facilities (A/70/698, paras. 66 and 68).

V. Conclusion and recommendations

38. **The Advisory Committee recommends that the General Assembly take note of the report of the Secretary-General, taking into account its comments and recommendations in the preceding paragraphs.**

Annex

Information on the procurement of the construction services contract

The Advisory Committee was provided with the following information on the procurement of the construction services contract:

(a) The unforeseen market conditions were one of the circumstances considered in deciding to award a higher-than-budgeted bid. The cost estimates were originally established by referencing the actual costs of the new office facility at the United Nations Office in Nairobi, which was completed in 2010. Based on the best available information in analysing past trends in construction escalation in the region, the cost estimates performed in 2012 for the new facility for the Mechanism estimated forward escalation at a rate of 4 per cent until the time of contract award in 2015. While the bid prices for locally available materials came in almost precisely at the budgeted amounts, the escalation of prices of imported materials and other additional costs could not have been reasonably foreseen. The commercial evaluation indicated that the bid of the selected construction company was also consistent with the prevailing market conditions;

(b) Although the Organization makes every effort to avoid awarding a tender that is higher than the budgeted amount, it is fully in accordance with normal procedure to award a contract at a higher-than-budgeted amount provided the principles of United Nations procurement and other requirements of the Procurement Manual are followed;

(c) The use of approved contingency provisions for covering the risk associated with the tender process is in line with industry standards, as well as the recently published "United Nations Guidelines on the Management of Construction Projects".